

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07  
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00  
NSC-05 /064 W  
-----081901Z 118929 /40

R 081809Z JUN 77  
FM USMISSION NATO  
TO SECSTATE WASHDC 4085  
SECDEF WASHDC  
INFO JCS WASHDC  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY PARIS  
USNMR SHAPE BE  
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 01 OF 02 NATO 04953

E.O. 11652: GDS

TAGS: MARR NATO

SUBJECT: MEETING OF CENTRAL EUROPE PIPELINE POLICY  
COMMITTEE (CEPPC) AT DEPUTY PERMANENT REPRESENTATIVE  
LEVEL, 7 JUNE 1977

REFS: (A) USNATO 4664, 031801Z JUNE 77; (B) AC/120-D/  
993 (REVISED)

SUMMARY: DURING THE THIRD MEETING OF THE CEPPC AT THE  
DEPUTY PERMANENT REPRESENTATIVE LEVEL, THE OUTSTANDING  
PERSONNEL PROBLEMS WERE RESOLVED. THE COMMITTEE ALSO  
MADE SUBSTANTIAL PROGRESS ON QUESTIONS OF TAXATION AND  
TARIFFS AND WILL NEXT MEET ON 14 JUNE. NO ACTION  
REQUESTED. END SUMMARY.

1. THE CHAIRMAN (BUWALDA) OPENED THE THIRD MEETING ON  
FINANCIAL MATTERS WITH A REQUEST FOR THE FRENCH POSITION  
CONCERNING THE PERSONNEL MATTERS TENTATIVELY RESOLVED AT  
THE PREVIOUS MEETING (PARA 5, REF A). FRENCH REP (DE LA  
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FERRIERE) INDICATED THAT HE COULD ACCEPT THE SOLUTION  
BOTH FOR THE CASE OF MR. BAYLAC AND FOR HIS SUCCESSOR. HE  
ALSO LIFTED THE FRENCH RESERVATION ON THE APPOINTMENT OF  
MR. FEINBERG AS DIRECTOR OF FINANCE, CENTRAL EUROPE OPER-  
ATING AGENCY (CEOA). OTHER DELEGATES INDICATED BY SILENCE  
THAT THEY COULD ALSO APPROVE THE SOLUTION. BUWALDA NOTED  
THAT THIS RESOLVED THESE LONG-STANDING PERSONNEL PROBLEMS.

2. BUWALDA THEN MOVED TO A DISCUSSION OF THE QUESTION OF APPLICATION OF VALUE ADDED TAX (VAT), SINCE THIS ITEM WOULD CONDITION FRG AGREEMENT TO THE CENTRAL EUROPE PIPE-LINE SYSTEM (CEPS) BUDGET FOR THE SECOND HALF OF 1977. THE FRENCH REP INDICATED THAT HIS AUTHORITIES WERE FAVORABLY DISPOSED TOWARD COMPLETE EXEMPTION OF THE CEPS FROM VAT IF OTHER HOST NATIONS WOULD CONTINUE TO SUPPORT SUCH A MEASURE. HE ALSO NOTED THAT THE FRENCH POSITION DEPEND-ED ON FAVORABLE RESOLUTION OF OTHER COMPROMISE PROPOSALS.

3. THE FRG REP (BOSS) STATED THAT GERMANY WOULD PREFER DETAXATION OF ALL POL PRODUCTS CONSUMED BY THE CEPS TO AGREEMENT ON USE OF TAXED (ALBEIT CHEAPER) FUELS WHICH FRG LEGISLATION WOULD NOT PERMIT. THE FRENCH REP SAID THAT HIS AUTHORITIES HAD NOT FOUND A WAY TO EXEMPT DIESEL FUEL FROM TAXATION, BUT THAT THE USE OF THE DIFFERENT CLASS FUELS KEPT EXPENSES IN FRANCE AT AS LAW A RATE AS THAT IN OTHER HOST NATIONS WITH TAX EXEMPT FUEL. THE CHAIRMAN, SPEAKING AS THE NETHERLANDS REP, INDICATED THAT HIS AUTHORITIES WOULD INSIST ON THE TAX EXEMPT PRINCIPLE WHICH SHOULD BE APPLIED ACROSS THE BOARD. HE RECOGNIZED, HOWEVER, THAT MORE WORK WAS REQUIRED ON THIS ITEM WHICH WOULD BE LEFT FOR FUTURE DISCUSSION.

4. DISCUSSION OF ITEMS I, II AND III OF ANNEX TO REF B REVEALED A BASIC AGREEMENT TO THE PRINCIPLE OF TARIFF ADJUSTMENT TO PROVIDE FOR INFLATIONARY COSTS. MOST REPS BELIEVED, HOWEVER, THAT THESE ITEMS SHOULD BE CONFIDENTIAL

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REWORDED TO PROVIDE MORE FLEXIBILITY FOR CHANGING CONDI-TIONS. THE CHAIRMAN OF THE CEPPC (HOFMAN) AGREED TO PROVIDE NEW WORDING. IN THE CASE OF ITEM II CONCERNING CIVIL TARIFFS, THE FRENCH REP INDICATED THAT FRANCE COULD NOT ALLOW THE CEPPC TO SET TARIFFS IN FRANCE, SINCE SUCH TARIFFS WERE DEPENDENT ON NATIONAL ENERGY POLICIES IN A SOVEREIGN NATION. HE AGREED, HOWEVER, TO SEEK MORE OPEN-NESS IN FRENCH PRESENTATION OF TARIFF PROPOSALS TO ALLOW THE CEPPC TO MAKE CONSCIOUS DECISIONS ON WHETHER OR NOT MOVEMENTS WERE FINANCIALLY JUSTIFIED.

5. THE FRG REP SUPPORTED THE US POSITION CONCERNING ITEM V (PAYMENTS TO TRAPIL). HE BELIEVED THAT THE EXTRA PAYMENTS SHOULD FORM PART OF THE TARIFF AND SHOULD PASS THROUGH CEPS FINANCIAL BOOKS. HE ALSO BELIEVED THAT CURRENT PAY-MENTS TO TRAPIL WERE EXCESSIVE. CANADIAN (BACON), UK (DRAPER) AND NETHERLANDS REPS COULD AGREE TO THE PROPOSAL AS WRITTEN IN ITEM V. THE BELGIAN REP (DUPONT) SUGGESTED THAT WHEREAS THE PRESENT PAYMENTS MIGHT BE RETAINED,

NEVERTHELESS THEY SHOULD PASS THROUGH THE CEPS FINANCIAL BOOKS FOR VISIBILITY AND ACCOUNTANCY. HE BELIEVED THAT THIS SUGGESTION MIGHT FORM A USEFUL COMPROMISE BETWEEN THE TWO POSITIONS. THIS ITEM WAS LEFT OPEN FOR FUTURE

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INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07  
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00  
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AMEMBASSY BONN  
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C O N F I D E N T I A L SECTION 02 OF 02 NATO 04953

DISCUSSIONS.

6. THE CHAIRMAN NOTED THAT THE DEPUTY PERM REPS HAVE NOW RESOLVED THE VERY IMPORTANT PERSONNEL PROBLEMS AND HAVE ESTABLISHED A FAVORABLE CLIMATE FOR RESOLUTION OF THE TARIFF PROBLEMS. HE SUGGESTED THAT THE FRG POSITION MIGHT SOFTEN TO ALLOW APPROVAL OF THE BUDGET FOR THE SECOND HALF OF 1977 IN VIEW OF THE APPARENT RESOLUTION OF THE VAT QUESTION. NEVERTHELESS, HE CALLED FOR THE NEXT MEETING OF THE DEPUTY PERM REPS ON 14 JUNE IN THE HOPE OF ACHIEVING ADDITIONAL PROGRESS TOWARD ACCEPTANCE OF THE PACKAGE RESOLUTION SUGGESTED IN THE ANNEX TO REF B.  
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